

Friday, January 8, 1999

Doctor sent to prison for fake injury

A videotape caught him donning a wig and sunglasses to go out — without his wheelchair.

By Jan Heffler
INQUIRER SUBURBAN STAFF

MOUNT HOLLY — A medical doctor who continued to cling to a wheelchair nearly four years after investigators discovered his injury was faked was sentenced yesterday to five years in prison for fraud after collecting nearly \$100,000 in insurance and Social Security benefits.

Jayen C. Shah, 46, who worked in an emergency-care clinic in Lawrenceville, was videotaped donning a wig, putting on sunglasses, and exiting a minivan without his wheelchair to pick up food at a McDonald's restaurant in July 1994.

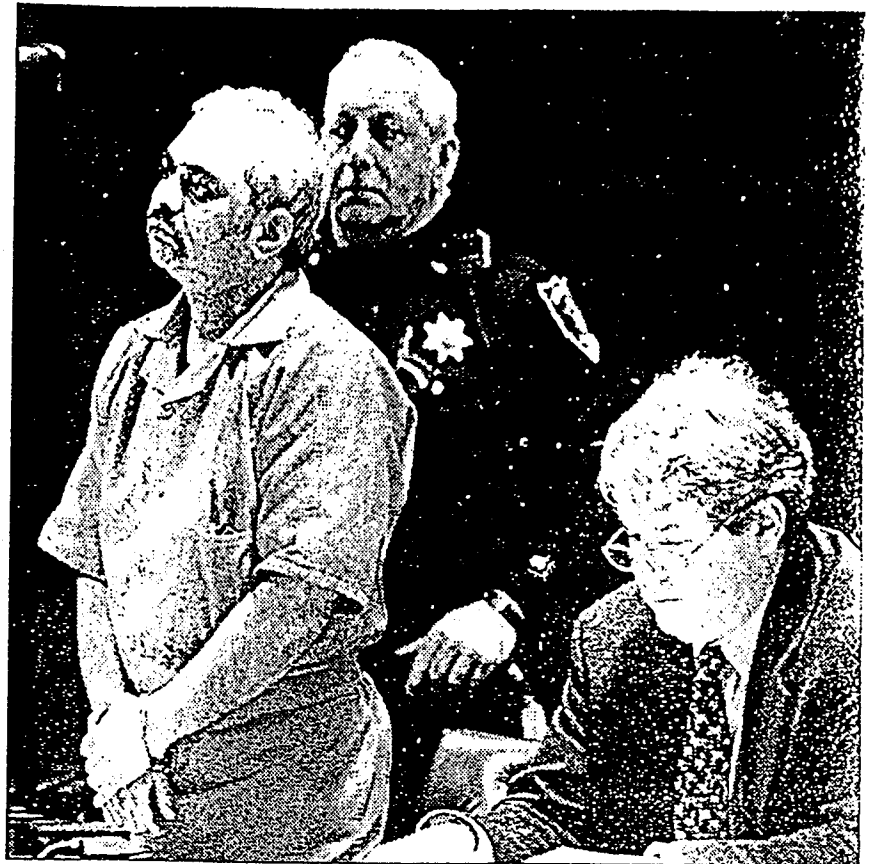
At the time, Shah was receiving benefits stemming from his claim that his legs were paralyzed in a bus accident during a trip to India about a year earlier.

Shah was arrested in November 1997 after a sting operation. For the next six months, he still used his wheelchair while in the Burlington County Jail after failing to post \$100,000 bail.

Then in May, Shah began walking, contending he had recovered.

Judge Patricia LeBon of Burlington County Superior Court, sarcastically terming his healing "miraculous," gave Shah the maximum sentence allowed under a plea agreement in which he admitted to charges of theft and attempted theft by deception.

During the hearing, Shah's attorney, John L. Call Jr., gave a \$134,754 check to Deputy Attorney General Andrew C. Fried for restitution and fines. Nearly \$68,000 will go to the Social Security Administration to cover false disability benefits paid to Shah, \$45,000 will cover his fine,



SHARON GEKOSKI-KIMMEL / Inquirer Suburban Staff

Jayen C. Shah faces the judge in Burlington County, with lawyer John L. Call Jr. at his side. Behind him is Sheriff's Officer Kenneth Phillips.

and the rest will go to three insurance firms that he bilked.

Call said Shah could be released from prison in about three months since he is already eligible for parole. He said it normally takes 90 days for the parole board to process papers.

Under the plea agreement, the maximum time Shah faced was reduced from 10 years. The terms also called for the U.S. Attorney's Office to drop its probe into Social Security fraud.

In addition, Shah's medical license in New Jersey will be revoked, and he will be barred from reapplying.

Fried said investigators lured Shah, a U.S. citizen for the last 12 years, back from his native India after he returned there. The investigators posed as insurance adjustors with a \$148,000 cash settlement offer. Fried said he assumed the name of "Ben Hadde" in the sting, and upon arresting Shah told him that he had "been had."

The New York Life Insurance Co. initiated the probe after Shah was unable to produce an accident report from police in India. The com-

pany's investigator videotaped Shah in his disguise.

Call argued for leniency, saying Shah has already been punished by his jail time, fine and loss of career. But Fried sought the maximum sentence, saying Shah had shown no remorse and violated the public trust. Fried said Shah could have collected nearly \$2 million in fraudulent benefits had the scheme not been detected.

Fried also said Shah had been investigated for Medicaid fraud in Missouri and Illinois where he also practiced medicine.

"Insurance fraud has become an epidemic in the state of New Jersey," said the judge. She said Shah deserved a tough sentence to send a message to the public that such offenses will receive harsh treatment.

STAR LEDGER

November 3, 1998

MD faked paralysis to dupe insurer

11-3-98 Star Ledger

By Guy Sterling

STAR-LEDGER STAFF

A medical doctor who claimed he was severely hurt in a bus accident in India only to be arrested later in a state sting operation pleaded guilty to fraud yesterday, agreeing to pay more than \$130,000 in fines and restitution.

Dr. Jayen Shah, 46, had once been in practice in Bordentown. But according to authorities, he faked an injury to his legs, contending they were paralyzed in a September 1993 accident while he was on vacation. He then tried to collect on a disability policy he'd taken out with the New York Life Insurance Co. the previous year.

Had he been able to extend the fraud for the full life of the policy, Shah stood to gain more than \$2 million. Despite his claim of injury, he was caught on videotape, in a wig and sunglasses, walking outside a van in a McDonald's parking lot in Pennsylvania in June 1994, almost a year after the alleged injury.

A state indictment from 1996 charged him with collecting \$5,500 on one monthly payment from the policy and attempting to collect similar payments under the same coverage.

Shah was taken into custody almost a year ago when investigators with the state Division of Criminal Justice lured him to a hotel in Phillipsburg where he thought he was going to pick up a check for \$148,000, representing a purported settlement on the disability policy.

The state had set up a fictitious company called "Benjamin Hadde Associates" that was supposed to have negotiated the settlement. To Shah, the company was intended to sound like a legitimate insurance broker, but to investigators, Benjamin Hadde was simply the equivalent of "been had."

Shah pleaded guilty to both counts of the indictment — theft by deception and attempted theft — in front of Superior Court Judge Patricia Richmond LeBon in Mount Holly yesterday.

He faces a maximum sentence of five years in prison when he is sentenced in January.

State v. Jayen C. Shah, M.D.

Doctor Is Sentenced To Prison for Fraud

MOUNT HOLLY — A Bordentown physician who pleaded guilty in November to faking paralysis in order to cheat four insurance companies out of claim payments was sentenced yesterday to five years in prison and ordered to pay fines and restitution of \$136,000, state officials said.

The doctor, Jayen C. Shah, has been in state custody since Nov. 25, 1997. He was arrested in his wheelchair at a Holiday Inn in Phillipsburg on charges that he cheated the insurance companies by lying that his legs had been paralyzed after a bus accident in India in 1993, according to a statement issued by the State Division of Criminal Justice.

The statement said investigators saw Mr. Shah drive a minivan to a fast-food restaurant, don a wig and sunglasses, enter the restaurant, then return to his vehicle with a bag filled with food. Even six months after his arrest, Mr. Shah continued to use the wheelchair while he was being held in the Burlington County Jail, the statement said.

The New Jersey Board of Medical Examiners revoked Mr. Shah's medical license in January 1996, several months before the State Attorney General's office indicted him.

State v. Jayen C. Shah, M.D.

November 3, 1998

Doctor pleads guilty in disability case

By John P. McAlpin
BCT staff writer

MOUNT HOLLY — A former Bordentown Township doctor who was accused of faking paralysis after a bogus bus accident must pay back more than \$140,000 in fines and payments to insurance companies.

Dr. Jayen C. Shah pleaded guilty yesterday to two counts of theft and theft by deception as part of a plea bargain agreement with prosecutors.

"He admitted that he made the false reports to the insurance companies in order to get these disability payments," according to Shah's attorney, John L. Call Jr.

Shah must pay back the insurance companies as well as the Social Security payments he collected during the four years he claimed to have been paralyzed after a bus accident in India during a 1993 trip.

As part of the deal with prosecutors, the government will not proceed with a criminal prosecution for receiving the Social Security payments, Call said.

Shah must make the payments in full before he is sentenced on Jan. 8 before state Superior Court Judge Patricia R. LeBon.

The theft charges carry a prison term of up to five years. Shah, who has no prior criminal record, has been held in the Burlington County Jail since his arrest on Nov. 25, 1997.

"At sentencing the state will

ask for the maximum," said Paul H. Zoubek, the state deputy attorney general in charge of the division of criminal justice.

Shah's arrest came after he was lured back to New Jersey from India in a sting operation set up by the Attorney General's Office.

Investigators posed as representatives of Benjamin Hadde Associates — or "been had" for short — and claimed to be offering Shah a lump settlement of more than \$148,000.

There he was confronted with videotape that prosecutors said showed the doctor walking about freely using the legs he claimed were paralyzed.

Shah had first tried to claim a \$5,500-a-month insurance policy from New York Life. The company paid out one month but became suspicious "when he failed to produce an accident report," Call said.

That prompted the insurance company to conduct an in-house investigation where Shah was again videotaped walking, authorities said.

State officials revoked Shah's medical license in January 1996, according to a spokesman for the Attorney General's Office.

Shah had medical licenses in other states including Indiana and Missouri but the status of those permits remains unclear, Call said.

In addition to the \$5,500 to New York Life, Shah must pay the U.S. Social Security Administration \$67,634 to reimburse disability payments.

State v. Jayen C. Shah, M.D.

BERGEN RECORD

November 6, 1998

Chiropractor admits \$22,254 in billing fraud

Friday, November 6, 1998

A Fort Lee chiropractor admitted in a Hackensack courtroom Thursday that he falsely billed insurance companies over a four-year period in the early 1990s.

Dr. Richard Finder told Superior Court Judge Bruce A. Gaeta that the false billings from April 1990 to August 1994 totaled \$22,254.

Finder, 42, pleaded guilty to theft by deception and falsifying records in connection with the scheme. As part of a plea agreement, Finder will pay \$18,511 in restitution and a \$20,000 civil penalty, state Deputy Attorney General Nicholas R. Vasile said.

In addition, Superior Court Judge William C. Meehan has the discretion to impose probation when Finder is sentenced Jan. 8.

Authorities charged Finder with submitting a variety of fraudulent claims on behalf of several dozen patients. Finder admitted submitting billings under false names, double-billing different insurance companies for the same claim, and billing companies for office visits that never occurred.

— CHRISTOPHER MUMMA

State v. Dr. Richard Finder

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL
COUNTY OF BERGEN
ACCUSATION NO.

STATE OF NEW JERSEY :

ACCUSATION 2120-98-001

v. :

RICHARD FINDER :

RICHARD FINDER, having in writing waived indictment and trial by jury on the charges of third degree attempted theft by deception and fourth degree falsifying or tampering with records, and having requested to be tried upon this charge by the Court and said request having been granted: ...

Deputy Attorney General Nicholas R. Vasile, for the State of New Jersey, alleges that:

COUNT ONE

(Attempted Theft by Deception - Third Degree)

RICHARD FINDER

between on or about February 24, 1993, and on or about November 11, 1993, at the Borough of Fort Lee, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, purposely did attempt to obtain the property of another by deception in an amount in excess of \$500, that is, the said RICHARD FINDER, a chiropractic physician licensed in the State of New Jersey,

purposely did attempt to obtain money in the approximate amount of \$5,300 from the Market Transition Facility of New Jersey and the New Jersey State Health Benefits Program, by creating and reinforcing the false impression that he had billed only the Market Transition Facility of New Jersey or the New Jersey State Health Benefits Program for treatments given to patient Theodore Tufano during the period June 17, 1992, to February 24, 1993;

WHEREAS, IN TRUTH AND IN FACT, as the said RICHARD FINDER well knew, he had billed both the Market Transition Facility of New Jersey and the New Jersey State Health Benefits Program for treatments given to patient Theodore Tufano during the period June 17, 1992, to February 24, 1993, contrary to the provisions of N.J.S.A. 2C:20-4 and N.J.S.A. 2C:5-1, and against the peace of this State, the government and dignity of the same.

COUNT TWO

(Falsifying or Tampering with Records - Fourth Degree)

RICHARD FINDER

between on or about February 24, 1993, and on or about April 5, 1994, at the Borough of Fort Lee, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, did utter writings or records knowing that they contained false statements or information, with the purpose to deceive or injure the New Jersey State Health Benefits Program, that is, the said RICHARD FINDER did utter a letter and 79 health insurance claim forms which stated that patient Theodore Tufano was being treated for conditions unrelated to an automobile accident, knowing that said statements were false, with the purpose to deceive or injure the New Jersey State Health Benefits Program, contrary to the provisions of NJSA 2C:21-4a, and against the peace of this State, the government and dignity of the same.



Nicholas R. Vasile
Deputy Attorney General

Dated: November 5, 1998



PHOTO BY JIM PATHE

Edmund Greenberg said, "It wasn't like holding up a bank, yet I do regret the wrongdoing."

When a respected pharmacist turns to theft

He bilked Orange as adoption-fight debts mounted

By Guy Sterling
STAR-LEDGER STAFF

There wasn't anything Edmund Greenberg wouldn't do for the two children he adopted. His legal bills from a protracted custody fight approached \$200,000. Thousands more were spent on overdue medical care.

Along the way, he also stole for them. Tomorrow, Greenberg, a pharmacist in

Orange for more than 25 years, will be sentenced for defrauding the city of more than \$23,000 in prescriptions for municipal employees that were never filled.

Greenberg, who pleaded guilty in December, faces a possible prison term of five years. He has been ordered to repay the stolen amount.

His Orange Drug & Surgical Supply store failed last year. He continues to work elsewhere as a pharmacist, but he could

lose his license.

Facing a crush of personal debt, the imminent collapse of his pharmacy and the resulting pressure on his family, Greenberg had no choice in what to do, he said.

"I had the weight of the world on my shoulders," he said in an interview this week at the West Orange office of one of his lawyers.

"We were only out to give these children a secure and loving home," said Greenberg's wife, Fern. "That should be

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NJO

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starting at 6 a.m. every day.

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The state's nine largest health insurers agree to pay for clinical

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Pharmacist

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In a squeeze, he chose crime

every child's inalienable right."

Friends of the couple speak of Greenberg's compassion, of his willingness to bring two abandoned half-sisters into his home when he and his wife were having children of their own. One friend, Orange attorney James Wolfe 3rd, recalled that Greenberg raised thousands of dollars over the years for the Big O Booster club, a civic group that sponsored a variety of recreational activities and scholarships for local students. He also established a work/study program at the pharmacy to help local students.

"Ed is a man with a good heart," said Wolfe. "He just got caught between a rock and a hard place."

But state law enforcement officials have a different view of the man voted by his 1957 high school class in Carteret as most likely to succeed.

"There's got to be a deterrent sanction," said Ed Neafsey, the state's insurance-fraud prosecutor.

Because he has no prior record, Greenberg may escape jail time, officials say. Neafsey said the Attorney General's Office will push for the forfeiture of Greenberg's pharmacist license if he is not sent to prison.

Orange's finance director, Jack Kelly, also said Greenberg ought to pay the price.

"He was still stealing from some-

one, and that's inappropriate," Kelly said.

Orange spends about \$22,000 every two weeks on prescriptions for about 700 current and retired employees, and Kelly said it would have been easy for Greenberg to slip bogus paperwork through for an extra \$600 or so twice a month.

Greenberg's descent into insurance fraud began in the early 1990s as he was trying to adopt two young East Orange girls. The mother had already allowed the family to care for them as foster children, but wanted to give them up for adoption. The Greenbergs said they leapt at the opportunity.

The mother and father of one of the girls, Chaz, gave no opposition to the adoption, which was completed in 1993. The adoption of the second child, Jalesa, was more problematic.

Jalesa came to the family when she was 6 months old. The adoption was progressing, the couple said, until her biological father, George Harris, filed for custody. Harris was indigent, and a lawyer from one of the state's most prestigious law firms, McCarter & English, was appointed by the court to represent him.

The matter dragged on for more than a year, according to court records, before a judge in Newark awarded custody of the child to Harris, who had relocated to Florida. The Greenbergs appealed and the case went ultimately to the state Supreme Court, where it was temporarily ordered that Jalesa should remain with the Greenbergs.

But another hearing was scheduled to determine the girl's best interests, and the case lingered an addi-

tional year and a half before a settlement in 1996 gave the Greenbergs custody and Harris visitation rights.

The settlement was reached, attorneys for both sides said, only after it was disclosed — several years into the custody battle — that Harris' wife had a long-term problem with drugs.

By then, Greenberg's three-year pattern of fraud was close to being exposed. Former Orange Police Director Charles Cobbertt was the person who uncovered the scheme when he walked into the pharmacy on Main Street one day and found his name had been forged on a list of prescription refills.

That night, Greenberg called Cobbertt to own up to his misdeeds recalled Cobbertt, now retired and living in South Carolina. The allegations eventually were referred to the state for investigation.

Cobbertt said he was stunned by Greenberg's admission, and still is.

"Ed's not a criminal," said Cobbertt, who spent 28 years as a law enforcement officer. "He's a very good guy who was an asset to the community. I hope he doesn't serve any time over this. It wouldn't do anybody any good."

Greenberg dipped into the prescription plan only as a last resort to keep his family together, said his defense attorney, James Daniels. At the time, chain pharmacies were putting additional financial pressure on his stand-alone business, and drug plans began slashing a pharmacist's take of prescription revenue. "His actions were wholly out of character and utterly aberrational and do not even begin to define who Edmund Greenberg really is," Daniels said.

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL
COUNTY OF ESSEX
Accusation No: / 420-12-98

STATE OF NEW JERSEY :

WAIVER OF INDICTMENT
AND TRIAL BY JURY

v. :

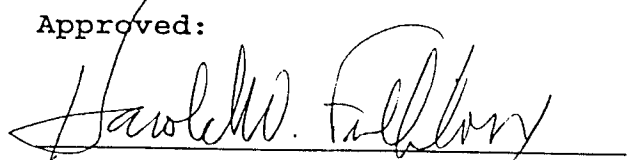
EDMUND S. GREENBERG :

I, EDMUND S. GREENBERG, the above named defendant, charged with one count of third degree theft by deception, in violation of N.J.S.A. 2C:20-4(a) and being advised of the nature of the charge against me and of my right to indictment and trial by jury, hereby waive prosecution by indictment and trial by jury and request to be tried before this Court.

Dated in Essex County, New Jersey, this 17th day of
December, 1998.

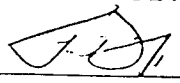

Edmund S. Greenberg

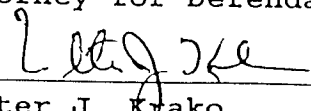
Approved:



Judge of the Superior Court

Signed and delivered in the
presence of:


James B. Daniels, Esq.
Attorney for Defendant


Walter J. Krako
Deputy Attorney General

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL
COUNTY OF ESSEX

ACCUSATION NO.: /420-12-98

STATE OF NEW JERSEY :

ACCUSATION

v. :

EDMUND S. GREENBERG :

EDMUND S. GREENBERG, having in writing waived indictment and trial by jury on the charge of third degree theft by deception, and having requested to be tried upon this charge by the Court and the said request having been granted:

Peter Verniero, the Attorney General of the State of New Jersey, by Deputy Attorney General Walter J. Krako, for the State of New Jersey alleges that:

COUNT ONE

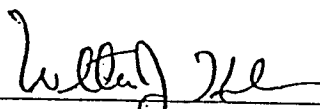
(Theft by Deception - Third Degree)

EDMUND S. GREENBERG

between on or about December 22, 1992, and on or about November 15, 1995, at the City of Orange, in the County of Essex, and at the Borough of Fair Lawn, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, purposely did obtain the property of another by deception in an amount in excess of \$500 but less than \$75,000, that is, the said EDMUND S. GREENBERG obtained money in the amount of \$23,421.75 from the City of Orange by creating or reinforcing false impressions that

prescriptions he submitted from Orange Drug and Surgical Inc. to Paid Prescriptions Inc., the authorized administrator of an employee prescription plan utilized by the City of Orange, were authorized prescriptions as written for employees insured under the City of Orange prescription plan and that such prescription medications were received by the employees of the City of Orange;

WHEREAS, IN TRUTH AND IN FACT, as the said EDMUND S. GREENBERG, then and there well knew, the said prescriptions were not authorized prescriptions as written for employees insured under the City of Orange prescription plan and that such prescription medications were not received by the employees of the City of Orange prescription plan, contrary to the provisions of N.J.S.A. 2C:20-4(a), and against the peace of this State, the government and dignity of the same.



Walter J. Krako
Deputy Attorney General

Dated: DEC. 17, 1998

State charges 65 in health insurance fraud

Half of 'patients' worked in Newark schools

By Guy Sterling
STAR-LEDGER STAFF

Nearly three years after a Ridgewood psychologist admitted swindling insurers of \$3.5 million in phony billings, the Attorney General's Office charged 65 people yesterday with taking part in the fraud, including a former vice principal in Newark and more than two dozen teachers.

The group — more than half of whom were employed by the Newark schools — conspired with Dr. Carl Lichtman to sock insurers with \$425 to \$14,000 in fraudulent billings, state investigators said.

Lichtman, who is on probation, pleaded guilty in May 1996 to submitting hundreds of bogus bills to the New Jersey State Health Benefits

Many received probation or avoided jail through pretrial intervention programs. Their cases date back several years.

The size of the conspiracy and its impact on careers left state prosecutors shaking their heads in disbelief.

The Newark vice principal charged was identified as Merle Whipple, 64, of Hillside. Prosecutors said he received almost \$2,000 of the \$7,760 that Lichtman took in for his phantom treatments.

Diane Rainey, 45, of Linden, raked in the largest amount — about \$14,000 — of those indicted yesterday, state authorities charged.

She was identified as a clerk typist in Union County.

Efforts to reach Whipple and

ments made public yesterday face maximum sentences of 10 years in prison and \$100,000 in fines.

In addition to conspiracy, the defendants were charged with theft by deception, and all but 11 were charged additionally with official misconduct.

They were issued summonses, and their initial court appearances in Hackensack were set for early next month.

Authorities learned of the fraud through a man who was asked to get involved but refused, Neafsey said.

Authorities did not identify the whistle-blower.

The 40 Newark school employees charged in the case have been suspended from their jobs, while most of the accused workers from other school districts have been able to

"The scope and breadth of this scheme indicate just how pervasive this type of crime is and how willing people are to engage in it."

—EDWARD NEAFSEY, New Jersey's insurance fraud prosecutor

served 16 months behind bars, could end up being treated better by the law than those he "induced" into the scheme.

Many of those named in the indictments turned down plea bargains not requiring jail time and are committed to going to trial, said Thomas Ashley, a defense lawyer representing a half-dozen of them.

The cases may take years to re-

65 Accused Of Aiding Health Fraud

Most of the Indicted Work in the Schools

By RONALD SMOTHERS

NEWARK, Feb. 2 — In what New Jersey prosecutors said was the largest single group of defendants in a single state criminal case, 65 people were indicted today on charges that they conspired with a psychologist to defraud health insurers of \$3.5 million for sham treatments of "neurotic depression."

The individuals charged were mostly school system workers — ranging from a vice principal to a custodian — in Newark, East Orange, Passaic, Hillside and Plainfield.

The indictment charges that they received kickbacks, but no treatment, from the psychologist, Carl Lichtman of Ridgewood. Mr. Lichtman, who has already pleaded guilty in the scheme, paid the patients 25 percent of what he billed their insur-

THE NEW YORK TIMES METRO WEDNESDAY, FEBRUARY 3, 1999

Today's indictments represent the culmination of an investigation that began nearly five years ago. Attorney General Peter G. Verniero termed it "one of the largest and most complex white-collar cases that we have prosecuted in my tenure and beyond."

He said fraud investigators interviewed about 250 people and pored over "mountains of bank, business and personal records" in tracking down and charging those who were involved. Mr. Verniero said that the people indicted today faced prison sentences of 3 to 10 years.

Mr. Lichtman's cooperation with prosecutors has resulted in guilty pleas over the last 18 months by another 112 people who were charged with participating in the scheme.

These people were first suspended from their jobs and then given the opportunity to avoid jail in exchange for permanently giving up their positions in the school system, making restitution and serving sentences of up to three years' probation.

Among those indicted today were many who had been offered the plea agreements and refused, maintaining their innocence. At one point a group of them brought suit in United States District Court.

Elaugh Butler, a former education media specialist, was among those indicted today. She said in an interview last summer that Mr. Lichtman's staff "implied to me that the money came from some benefactor or corporation who was sensitive to the pressures of teaching in an urban environment."

"I called for the treatment and never got it," she said. "I did cash the checks he sent."

Roger Jones, spokesman for the Newark schools, where the bulk of the defendants worked, said it "obviously puts a cloud over the head of some of the schools that these people are affiliated with, and we were looking to remove that cloud."

The scheme set up by Mr. Lichtman and his no-show patients with about 35 different health insurers was first discovered by Prudential Insurance Company, which observed a curious pattern in Mr. Lichtman's claim filings.

The company, which is based in Newark, also received an anonymous call from someone who had been asked to participate in the scheme but declined. Kevin Heine, a spokesman for Prudential, said that the information the company turned over to state prosecutors "showed a clear pattern of fraudulent activity."

According to Mr. Verniero's office, Mr. Lichtman filed more than 600 claims for fraudulent services.

Investigators said that at one point Mr. Lichtman was submitting claims for as many as 50 patients a day — a pace that would have required him to work 24 hours a day and on holidays.

State v. Carl Lichtman

Asbury Park Press

February 3, 1999

65 indicted in insurance fraud scheme

THE ASSOCIATED PRESS

TRENTON — Northern New Jersey school district employees, including a vice principal and 27 teachers, are among 65 people indicted in a \$3.5 million insurance fraud scheme.

Attorney General Peter G. Verniero announced the indictments yesterday as part of a probe into the activities of Carl Lichtman, a former psychologist who has received a five-and-a-half-year prison sentence for carrying out a scheme involving more than 200 phony patients that victimized 35 insurance carriers.

The indictments charge second-degree conspiracy, and indictments against 34 of the suspects also allege second-degree official misconduct. Sixty-one defendants also are charged with third-degree theft by deception.

"Insurance fraud is a pernicious crime that affects all of us who rely on an insured health care delivery system," Verniero said.

At his May 1996 plea, Lichtman admitted submitting 600 bills to the New Jersey Health Benefits Program and 35 private insurance carriers, from 1986 to 1995 for treatments that in most cases were never performed. All of the bills listed the same malady: neurotic depression.

More than 100 of his "patients" — most of whom he never met — were employed by nine school districts in four northern New Jersey counties: Bergenfield and Fair Lawn in Bergen County; East Orange, Irvington and Newark in Essex County; Paterson and Passaic in Passaic County; and Elizabeth and Plainfield in Union County.

When he pleaded guilty, Lichtman admitted he kept 75 percent of the insurance benefits.

He also asked patients to give him the names of spouses or children so he could submit more false claims. About 40 agreed and were paid \$100 to \$750 for each referral, Lichtman said.

SUPERIOR COURT OF N.J.

FILED

FEB 2 1999

DONALD E. PHELAN
CLERK

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL

State Grand Jury

Number SGJ 404-98-2(15)

Superior Court **99 - 02 - 00027 - 5**
Docket Number _____

STATE OF NEW JERSEY)

v.)

KEVIN SPENCER)

HECTOR RIVERA)

BEVERLY LOVETT)

and)

ALLEN KEARNEY)

INDICTMENT

The Grand Jurors of and for the State of New Jersey, upon
their oaths, present that:

COUNT ONE

(Conspiracy - Second Degree)

KEVIN SPENCER

HECTOR RIVERA

BEVERLY LOVETT

and

ALLEN KEARNEY

who are charged as defendants herein, Carl H. Lichtman, and other
persons whose identities are known to the Grand Jurors, who are

conspirators but who are not named as defendants herein, between on or about August 7, 1989 and on or about November 3, 1994, at the Village of Ridgewood, in the County of Bergen, and at the City of Newark, in the County of Essex, elsewhere, and within the jurisdiction of this Court, with the purpose of promoting and facilitating the commission of the crimes of theft by deception and official misconduct, did agree that:

1. One or more of them would engage in conduct which would constitute the crimes of:

- A. Theft by Deception in excess of \$75,000, in that one or more of them purposely would obtain or attempt to obtain the property of another by creating or reinforcing the false impression that Carl H. Lichtman did render psychotherapy treatments for which fraudulent health insurance claims were submitted, whereas said treatments were not in fact rendered, contrary to the provisions of N.J.S.A. 2C:20-4;
- B. Official Misconduct, in that one or more of them, being public servants and acting with a purpose to obtain a benefit for themselves or another, or to injure or deprive another of a benefit, knowingly

did conspire, aid or agree or attempt to aid Carl H. Lichtman in the submission of fraudulent health care claims to the State Health Benefits Program participated in by his public employer, contrary to the provisions of N.J.S.A. 2C:30-2; and

2. One or more of them would aid in the planning, solicitation, or commission of the aforesaid crimes.

The Grand Jurors aforesaid, upon their oaths, do further present that in pursuance of the said conspiracy, the following Overt Acts, among others, were committed:

OVERT ACTS

1. On or about May 17, 1994, at the Village of Ridgewood, in the County of Bergen, Carl H. Lichtman did receive check #699 2414637, issued by The Prudential Insurance Company of America (hereinafter referred to as Prudential), acting as Administrator for the New Jersey State Health Benefits Program, in the amount of \$1,650, and subsequently did deposit same into his personal checking account with the Independence Bank of New Jersey, account #0024078969, which represented partial payment of a health insurance claim for psychotherapy services purportedly rendered to the said KEVIN SPENCER, who did not receive said services as billed.

2. On or about May 27, 1994, at the Village of Ridgewood, in the County of Bergen, Carl H. Lichtman did receive check #699 2478385, issued by Prudential, in the amount of \$1,750, and subsequently did deposit same into his personal checking account with the Independence Bank of New Jersey, account #0024078969, which represented partial payment of health insurance claims for psychotherapy services purportedly rendered to the said HECTOR RIVERA, who did not receive said services as billed.

3. On or about May 20, 1994, at the Village of Ridgewood, in the County of Bergen, Carl H. Lichtman did receive bulk check #842 0498883, issued by Prudential, in the amount of \$71,425.50, and subsequently did deposit same into his personal checking account with the Independence Bank of New Jersey, account #0024078969, a portion of which represented partial payment of health insurance claims for psychotherapy services purportedly rendered to the said BEVERLY LOVETT, who did not receive said services as billed.

4. On or about May 24, 1994, at the Village of Ridgewood, in the County of Bergen, Carl H. Lichtman did receive check #699 2455253, issued by Prudential, in the amount of \$4,000, and subsequently did deposit same into his personal checking account with the Independence Bank of New Jersey, account #0024078969,

which represented partial payment of a health insurance claim for psychotherapy services purportedly rendered to the said ALLEN KEARNEY, who did not receive said services as billed.

All in violation of N.J.S.A. 2C:5-2, and against the peace of this State, the government and dignity of the same.

COUNT TWO

(Theft by Deception - Second Degree)

KEVIN SPENCER

who is named as a defendant herein, and other persons whose identities are known to the Grand Jurors, who are conspirators but not named as defendants herein, between on or about April 22, 1994 and on or about November 8, 1994, at the Village of Ridgewood, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, did commit or attempt to commit the crime of theft by deception in excess of \$75,000, that is, the said KEVIN SPENCER and conspirators did purposely obtain or attempt to obtain approximately \$216,195 from the New Jersey State Health Benefits Program administered by The Prudential Insurance Company of America, Metropolitan Life Insurance Company and the Aetna Life Insurance Company and/or their health benefit plans, through the submission by Carl H. Lichtman of fraudulent health insurance claims, thereby creating and reinforcing the false impression that Carl H. Lichtman did render psychotherapy treatments to the said KEVIN SPENCER and conspirators and/or their dependents, as stated in said fraudulent health insurance claims, and was entitled to compensation for said treatments,

WHEREAS, IN TRUTH AND IN FACT, as the said conspirators

well knew, Carl H. Lichtman did not render psychotherapy treatments as stated in the fraudulent health insurance claims and was not entitled to compensation for said treatments, contrary to the provisions of N.J.S.A. 2C:20-4, N.J.S.A. 2C:5-1 and N.J.S.A. 2C:2-6, and against the peace of this State, the government and dignity of the same.

COUNT THREE

(Official Misconduct - Second Degree)

KEVIN SPENCER

between on or about April 22, 1994 and on or about May 26, 1994, at the City of Newark, in the County of Essex, elsewhere, and within the jurisdiction of this Court, did commit the offense of official misconduct, that is, the said KEVIN SPENCER, acting with the purpose to obtain a benefit for himself or another, or to injure or deprive another of a benefit, in excess of \$200, and the said KEVIN SPENCER, then and there being a public servant, to wit, an employee of the Newark Board of Education, having functions and duties among others to display good faith, honesty, and integrity, to be impervious to corrupting influences, to conduct himself with undivided loyalty to the public trust, and to refrain from activities which interfere with the proper discharge of his duties, did commit an act relating to his office, knowing that such act was unauthorized or that he was committing it in an unauthorized manner, in that the said KEVIN SPENCER did conspire, aid or agree or attempt to aid Carl H. Lichtman in the submission of fraudulent health care claims to the State Health Benefits Program through his employer, the Newark Board of Education, and did receive a benefit in excess of

\$200, and did deprive the State Health Benefits Program of money in excess of \$200, contrary to the provisions of N.J.S.A. 2C:30-2 and N.J.S.A. 2C:2-6, and against the peace of this State, the government and dignity of the same.

COUNT FOUR

(Theft by Deception - Third Degree)

BEVERLY LOVETT

who is named as a defendant herein, and other persons whose identities are known to the Grand Jurors, who are conspirators but not named as defendants herein, between on or about May 3, 1994 and on or about August 15, 1994, at the Village of Ridgewood, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, did commit or attempt to commit the crime of theft by deception in excess of \$500, that is, the said BEVERLY LOVETT and conspirators did purposely obtain or attempt to obtain approximately \$34,060 from the New Jersey State Health Benefits Program administered by The Prudential Insurance Company of America, through the submission by Carl H. Lichtman of fraudulent health insurance claims, thereby creating and reinforcing the false impression that Carl H. Lichtman did render psychotherapy treatments to the said BEVERLY LOVETT and/or her dependents, as stated in said fraudulent health insurance claims, and was entitled to compensation for said treatments,

WHEREAS, IN TRUTH AND IN FACT, as the said BEVERLY LOVETT well knew, Carl H. Lichtman did not render psychotherapy treatments as stated in the fraudulent health insurance claims

and was not entitled to compensation for said treatments,
contrary to the provisions of N.J.S.A. 2C:20-4, N.J.S.A. 2C:5-1
and N.J.S.A. 2C:2-6, and against the peace of this State, the
government and dignity of the same.

COUNT FIVE

(Official Misconduct - Second Degree)

BEVERLY LOVETT

between on or about May 3, 1994 and on or about August 15, 1994, at the City of Newark, in the County of Essex, elsewhere, and within the jurisdiction of this Court, did commit the offense of official misconduct, that is, the said BEVERLY LOVETT, acting with the purpose to obtain a benefit for herself or another, or to injure or deprive another of a benefit, in excess of \$200, and the said BEVERLY LOVETT, then and there being a public servant, to wit, an employee of the Newark Board of Education, having functions and duties among others to display good faith, honesty, and integrity, to be impervious to corrupting influences, to conduct herself with undivided loyalty to the public trust, and to refrain from activities which interfere with the proper discharge of her duties, did commit an act relating to her office, knowing that such act was unauthorized or that she was committing it in an unauthorized manner, in that the said BEVERLY LOVETT did conspire, aid or agree or attempt to aid Carl H. Lichtman in the submission of fraudulent health care claims to the State Health Benefits Program through her employer, the Newark Board of Education, and did receive a benefit in excess of

\$200, and did deprive the State Health Benefits Program of money in excess of \$200, contrary to the provisions of N.J.S.A. 2C:30-2 and N.J.S.A. 2C:2-6, and against the peace of this State, the government and dignity of the same.

COUNT SIX

(Theft by Deception - Third Degree)

ALLEN KEARNEY

who is named as a defendant herein, and other persons whose identities are known to the Grand Jurors, who are conspirators but not named as defendants herein, between on or about May 11, 1994 and on or about August 2, 1994, at the Village of Ridgewood, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, did commit or attempt to commit the crime of theft by deception in excess of \$500, that is, the said ALLEN KEARNEY and conspirators did purposely obtain or attempt to obtain approximately \$19,990 from the New Jersey State Health Benefits Program administered by The Prudential Insurance Company of America, through the submission by Carl H. Lichtman of fraudulent health insurance claims, thereby creating and reinforcing the false impression that Carl H. Lichtman did render psychotherapy treatments to the said ALLEN KEARNEY and/or his dependents, as stated in said fraudulent health insurance claims, and was entitled to compensation for said treatments,

WHEREAS, IN TRUTH AND IN FACT, as the said ALLEN KEARNEY well knew, Carl H. Lichtman did not render psychotherapy treatments as stated in the fraudulent health insurance claims

and was not entitled to compensation for said treatments,
contrary to the provisions of N.J.S.A. 2C:20-4, N.J.S.A. 2C:5-1
and N.J.S.A. 2C:2-6, and against the peace of this State, the
government and dignity of the same.

COUNT SEVEN

(Official Misconduct - Second Degree)

ALLEN KEARNEY

between on or about May 11, 1994 and on or about August 2, 1994, at the City of Newark, in the County of Essex, elsewhere, and within the jurisdiction of this Court, did commit the offense of official misconduct, that is, the said ALLEN KEARNEY, acting with the purpose to obtain a benefit for himself or another, or to injure or deprive another of a benefit, in excess of \$200, and the said ALLEN KEARNEY, then and there being a public servant, to wit, an employee of the Newark Board of Education, having functions and duties among others to display good faith, honesty, and integrity, to be impervious to corrupting influences, to conduct himself with undivided loyalty to the public trust, and to refrain from activities which interfere with the proper discharge of his duties, did commit an act relating to his office, knowing that such act was unauthorized or that he was committing it in an unauthorized manner, in that the said ALLEN KEARNEY did conspire, aid or agree or attempt to aid Carl H. Lichtman in the submission of fraudulent health care claims to the State Health Benefits Program through his employer, the Newark Board of Education, and did receive a benefit in excess of

\$200, and did deprive the State Health Benefits Program of money in excess of \$200, contrary to the provisions of N.J.S.A. 2C:30-2 and N.J.S.A. 2C:2-6, and against the peace of this State, the government and dignity of the same.

COUNT EIGHT

(Theft by Deception - Third Degree)

HECTOR RIVERA

who is named as a defendant herein, and other persons whose identities are known to the Grand Jurors, who are conspirators but not named as defendants herein, between on or about April 30, 1994 and on or about June 14, 1994, at the Village of Ridgewood, in the County of Bergen, elsewhere, and within the jurisdiction of this Court, ~~did commit or attempt to commit~~ the crime of theft by deception in excess of \$500, that is, the said HECTOR RIVERA and conspirators did purposely obtain or attempt to obtain approximately \$17,850 from the New Jersey State Health Benefits Program administered by The Prudential Insurance Company of America, through the submission by Carl H. Lichtman of fraudulent health insurance claims, thereby creating and reinforcing the false impression that Carl H. Lichtman did render psychotherapy treatments to the said HECTOR RIVERA and/or his dependents, as stated in said fraudulent health insurance claims, and was entitled to compensation for said treatments,

WHEREAS, IN TRUTH AND IN FACT, as the said HECTOR RIVERA well knew, Carl H. Lichtman did not render psychotherapy treatments as stated in the fraudulent health insurance claims

and was not entitled to compensation for said treatments,
contrary to the provisions of N.J.S.A. 2C:20-4, N.J.S.A. 2C:5-1
and N.J.S.A. 2C:2-6, and against the peace of this State, the
government and dignity of the same.

COUNT NINE

(Official Misconduct - Second Degree)

HECTOR RIVERA

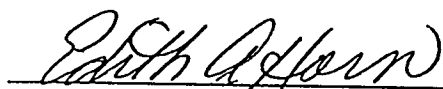
between on or about April 30, 1994 and on or about June 14, 1994, at the City of Newark, in the County of Essex, elsewhere, and within the jurisdiction of this Court, did commit the offense of official misconduct, that is, the said HECTOR RIVERA, acting with the purpose to obtain a benefit for himself or another, or to injure or deprive another of a benefit, in excess of \$200, and the said HECTOR RIVERA, then and there being a public servant, to wit, an employee of the Newark Board of Education, having functions and duties among others to display good faith, honesty, and integrity, to be impervious to corrupting influences, to conduct himself with undivided loyalty to the public trust, and to refrain from activities which interfere with the proper discharge of his duties, did commit an act relating to his office, knowing that such act was unauthorized or that he was committing it in an unauthorized manner, in that the said HECTOR RIVERA did conspire, aid or agree or attempt to aid Carl H. Lichtman in the submission of fraudulent health care claims to the State Health Benefits Program through his employer, the Newark Board of Education, and did receive a benefit in excess of

\$200, and did deprive the State Health Benefits Program of money in excess of \$200, contrary to the provisions of N.J.S.A. 2C:30-2 and N.J.S.A. 2C:2-6, and against the peace of this State, the government and dignity of the same.



Paul H. Zoubek, Director
Division of Criminal Justice

A TRUE BILL:



, Foreperson

Dated: Jan 26, 1999

DECEMBER 24, 1998

SINCE 1879

Howell woman admits cheating health plan

■ Under the plea, she faces three to five years in prison for health care fraud and of forgery.

By LISA L. COLANGELO
STAFF WRITER

A SOCIAL worker from Howell admitted yesterday she submitted more than \$4,000 in phony medical bills to her health insurance company, becoming the first person prosecuted under the state's Health Care Claims Fraud law according to Attorney General Peter Verniero.

Karen A. Lawder, 35, sent at least five phony bills totaling \$4,320 to the State Health Benefits Plan seeking reimbursement as a patient. She admitted she had not received services she claimed on the bills, dated January through April 1998.

She also pleaded guilty to forging a letter to Blue Cross/Blue Shield — the company that administers the plan — from a clinical social worker to support the fictitious bills.

Under the plea, Lawder faces three to five years in prison for a

second-degree count of health care fraud, and a fourth-degree count of forgery. She will be sentenced before Superior Court Judge Patricia Del Bueno Cleary on April 16. Lawder also agreed to pay a \$5,000 fine.

Lawder was a counselor with the Long Branch Board of Education and had a private practice in Brielle.

As a result of her plea, Lawder automatically lost her position with the Long Branch school district. Since she did not commit the fraud in her capacity as a licensed social worker, she does not automatically lose her license. After she is sentenced, state officials will forward a record of her criminal conviction to the New Jersey Board of Social Work Examiners for consideration.

The Health Care Claims Fraud Act was signed Jan. 15. It toughened penalties for anyone convicted of submitting false or misleading health care bills. Penalties range up to 10 years in jail, and fines of up to five times the amount of the phony claim. Health care professionals who commit fraud can be automatically stripped of their licenses.

State v. Karen A. Lawder, L.C.S.W.

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL
COUNTY OF MONMOUTH
ACCUSATION NO.: 98-12-2358

STATE OF NEW JERSEY)

v.)

ACCUSATION

KAREN A. LAWDER)

Karen A. Lawder, having in writing waived indictment and trial by jury on the charges of second degree health care claims fraud and fourth degree forgery, and having requested to be tried upon these charges by the Court and said request having been granted:

Attorney General Peter Verniero for the State of New Jersey, by and through Deputy Attorney General Lee Barry of the Office of Insurance Fraud Prosecutor, in the Division of Criminal Justice, alleges that:

COUNT ONE

(Health Care Claims Fraud - Second Degree)

KAREN A. LAWDER

a person who is not a practitioner, from on or about January 26, 1998 to on or about April 28, 1998, at the Borough of Brielle, in the County of Monmouth, elsewhere, and within the jurisdiction of this Court, knowingly did commit five or more acts of Health Care

Claims Fraud with the aggregate pecuniary benefit obtained or sought to be obtained for health care services having been at least \$1,000, in that the said KAREN A. LAWDER, knowingly did make, or did cause to be made, false, fictitious, fraudulent or misleading statements of material fact in five or more bills, claims or other documents, in writing, electronically or in any other form, which the said KAREN A. LAWDER did attempt to submit, did cause to be submitted, or did attempt to cause to be submitted for payment or reimbursement for health care services to New Jersey State Health Benefits Program ("SHBP") claim forms and invoices on the dates and in the amounts stated below, when as the said KAREN A. LAWDER well knew, health care services had not been received or paid for by her, and that she was not entitled to payment or reimbursement for such health care services:

1. January 26, 1998 SHBP claim form
2. January 26, 1998 invoice for \$720
3. January 31, 1998 SHBP claim form
4. January 31, 1998 invoice for \$240
5. February 11, 1998 SHBP claim form
6. February 11, 1998 invoice for \$600
7. February 23, 1998 SHBP claim form

Claims Fraud with the aggregate pecuniary benefit obtained or sought to be obtained for health care services having been at least \$1,000, in that the said KAREN A. LAWDER, knowingly did make, or did cause to be made, false, fictitious, fraudulent or misleading statements of material fact in five or more bills, claims or other documents, in writing, electronically or in any other form, which the said KAREN A. LAWDER did attempt to submit, did cause to be submitted, or did attempt to cause to be submitted for payment or reimbursement for health care services to New Jersey State Health Benefits Program ("SHBP") claim forms and invoices on the dates and in the amounts stated below, when as the said KAREN A. LAWDER well knew, health care services had not been received or paid for by her, and that she was not entitled to payment or reimbursement for such health care services:

1. January 26, 1998 SHBP claim form
2. January 26, 1998 invoice for \$720
3. January 31, 1998 SHBP claim form
4. January 31, 1998 invoice for \$240
5. February 11, 1998 SHBP claim form
6. February 11, 1998 invoice for \$600
7. February 23, 1998 SHBP claim form

8. February 23, 1998 invoice for \$600
9. April 15, 1998 SHBP claim form
10. April 28, 1998 invoice for \$2160

Total Claims: \$4320

contrary to the provisions of N.J.S.A. 2C:21-4.3.c., and against
the peace of this State, the government and dignity of the same.

COUNT TWO

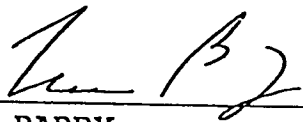
(Forgery - Fourth Degree)

KAREN A. LAWDER

on or about May 12, 1998, at the Borough of Brielle, in the County of Monmouth, elsewhere, and within the jurisdiction of this Court, with the purpose to defraud or injure the New Jersey State Health Benefits Program and BlueCross BlueShield of New Jersey, did make, complete, execute, issue or transfer a writing so that it purported to be the act of another who did not authorize that act, that is, the said KAREN A. LAWDER, with the purpose to defraud or injure the New Jersey State Health Benefits Program and BlueCross BlueShield of New Jersey, did make, complete, execute, issue or transfer a letter to BlueCross BlueShield of New Jersey providing information in furtherance of a claim for payment or reimbursement for health care services, so that it purported to be issued by a licensed clinical social worker, who did not authorize that act, contrary to the

provisions of N.J.S.A. 2C:21-1a(2), and against the peace of this State, the government and dignity of the same.

PETER VERNIERO
Attorney General

By: 
LEE BARRY
Deputy Attorney General

Dated: 12/23/98

Doctor's aide tied to fraud in billing

\$342,000 in bogus auto claims alleged

By **DAN KRAUT**
Staff Writer

In the strongest sign yet that a criminal probe of pervasive auto-insurance fraud in Passaic County is moving toward doctors and lawyers, a state grand jury on Thursday indicted the manager of a chiropractic center in the city of Passaic.

The grand jury alleges that Esther DelPino submitted \$342,000 in bills for treatments that were not actually given at the Lexington Chiropractic Center, 211 Lexington Ave. Insurers paid about \$245,000 of those bogus claims, the indictment charges.

Furthermore, the indictment charges that DelPino, 51, of Main Street, Hackensack, would collect money from "various personal-injury attorneys and/or from a chiropractor who was a partner in Lexington Chiropractic."

She would then use this money, the indictment charges, to pay "referral fees" to those who sent the patients to lawyers and to Lexington Chiropractic.

Also, the indictment alleges, she once told an undercover investigator, "I want everybody to be hap-

INDICTMENT: Auto insurance

From Page A-1

py. . . I'm the middle woman."

The indictment does not name the lawyers or the chiropractor accused of making the unethical payments.

According to property records, the Lexington Avenue building is owned in part by Dr. Hans Kalchbrenner, a licensed chiropractor who lives in Upper Saddle River. Kalchbrenner's lawyer said Thursday night that his client was not involved in any wrongdoing.

"Based on my knowledge of Dr. Kalchbrenner for many years, such an allegation is totally inconsistent with the character of Dr. Kalchbrenner," said attorney Richard Friedman of Middletown.

State officials said their investigation is continuing.

"The investigation in this matter is ongoing," state Insurance Fraud Prosecutor Edward Neafsey said. "We'll follow it where the facts lead us."

He said his office looks for criminal conduct, but could also make referrals to ethics panels if, for instance, it finds lawyers who violated the prohibition against paying for referrals.

Passaic County has earned a national reputation as a center for insurance fraud; insurers have accused more than 3,000 people of participating in intentional car crashes and then submitting bogus claims. The industry estimates \$50 million in bogus claims were submitted to insurers for staged crashes in the county between 1993 and 1997. Hundreds of claims were withdrawn after they were challenged.

Over the past two years, the Passaic County Prosecutor's Office has arrested about 100 people,

mostly poor immigrants, in connection with suspicious claims. But so far, investigators have not been able to prove that any lawyers paid for clients or that doctors knowingly treated uninjured patients.

Friedman said Kalchbrenner "has a history of cooperating with the insurance companies, and reporting suspected wrongdoing. He's also returned funds when he though somebody was involved in a questionable claim."

Neafsey said the state was able to build its latest case by sending undercover investigators to Lexington Chiropractic as far back as 1993 when it got a tip of shady practices there. Although the investigators were given some treatment, the bills sent to insurers included claims for treatments given on approximately 80 days in which the investigators were not even in the office, Neafsey said.

Insurance investigators suspect that dozens of Passaic County doctors submitted claims for patients who weren't really injured, but detectives have a hard time building criminal cases against doctors or their employees, especially in cases involving claims of soft-tissue injury.

As long as the doctor actually sees the patient, it's difficult to prove he knew the person was faking an injury "because you're dealing with professional opinion," Neafsey said.

"The key is to go through their records to see where either billings were inflated, or billings were submitted for treatments that were never provided," he said. "To build a successful criminal prosecution, you often need to get someone on the inside."

According to the indictment,

DelPino once told an undercover investigator that, should an insurance company question the billing, to answer, "you were here three times a week, then twice a week, then once a week at the end."

DelPino was charged Thursday with conspiracy, theft by deception, and falsifying medical records. If convicted on all counts, she theoretically could receive a maximum penalty of \$245,000 and 39 years in prison.

Contacted at the chiropractor's office for a comment about the allegation, she said, "I don't know anything about that," and hung up.

In addition to the state panel, a grand jury was convened in Passaic County last month with permission from a top judge to look exclusively into insurance fraud. The Passaic County prosecutor has already subpoenaed records from at least five lawyers in that investigation. Asked why the case against DelPino was handled by the state, Neafsey answered that state investigators received the initial tip on the case.

Neafsey said state investigators were assisting in the Passaic County probe.

Meanwhile, in an unrelated case handled by the Insurance Fraud Prosecutor's Office, the state arrested 10 people Thursday on charges that they falsely reported their cars stolen, then submitted insurance claims totaling more than \$155,000. The cars were, in fact, sold to a middleman, who then sold them to an undercover New York City police officer, Neafsey said.

Among the suspects are Harold Henderson, 53, of Paterson and Nancy Torres, 30, of Teaneck, Neafsey said.

Lawyer downplays client's role in alleged auto insurance fraud

By DAN KRAUT
Staff Writer

One day after a Hackensack woman was indicted for allegedly submitting \$342,000 in bogus billing from a Passaic chiropractor, her lawyer played down her involvement, saying she was only a receptionist at the time covered by the charges.

But authorities say Esther DelPino, 51, was paid by lawyers or a doctor as part of a conspiracy. And investigators may review lawyers' financial records as the probe intensifies, said experts familiar with fraud cases.

DelPino, who works at Lexington Chiropractic Center, was charged Thursday with theft by deception and conspiracy. The indictment, handed up by a state grand jury, alleges that DelPino, manager of the center, collected money from unnamed attorneys "and/or from a chiropractor who was a partner in Lexington Chiropractic" to steer patients to them.

Prosecutors say that investigators posing as patients first went to the center in 1993, and that insurers received medical bills covering 80 days the undercover agents were not even at the office.

DelPino's lawyer, Raymond Flood, said his client is now office manager but took that role after the investigation began.

"During the time period the indictment covers," he said, "she had nothing to do with the billing. ... She was basically a receptionist who did some clerical work."

He said DelPino came to the United States from Cuba about 35 years ago, is married to an Army veteran, and has a clean record. When asked if she was paid by lawyers, Flood replied: "Not to my knowledge. If she had done anything wrong, she had ample opportunity to enter a plea agreement."

Investigators in law enforcement and the insurance industry said the next step may be to review lawyers' financial records. If DelPino was paid — and if there are records of the transactions — this may be evidence that attorneys made referral fees, for which they could be disbarred. If evidence shows that attorneys made cash payments, the lawyers could be investigated for tax offenses, investigators said.

"That approach certainly could be helpful," said Bob Murray, manager of the National Insurance Crime Bureau's New York regional office. Ever since the state created the office of fraud prosecutor last year, Murray said, white-collar investigations have been heating up.

"One thing is for sure: There's a new sheriff in town," he said, referring to fraud Prosecutor Edward Neafsey.

Passaic County has earned a national reputation as a center of fraud, with insurers claiming that loosely knit rings involving 3,000 people staged accidents and submitted fraudulent claims. The Passaic County Prosecutor's Office has arrested 100 people, mostly poor immigrants, and charged them with participating in the scheme.

So far, no professionals have been charged in connection with the rings.

Dr. Hans Kalchbrenner, who practices at Lexington and lives in Upper Saddle River, could not be reached Friday. Another doctor at the office declined to identify himself or comment on the charges. Kalchbrenner has not been charged with any crimes, and his lawyer said he did nothing wrong.

Flood suggested that billing problems at Lexington Chiropractic were the result of computer error.

State v. Lexington Chiropractic

SUPERIOR COURT OF NEW JERSEY
LAW DIVISION - CRIMINAL

State Grand Jury

Number SGJ

Superior Court

Docket Number

STATE OF NEW JERSEY)

v.)

INDICTMENT

ESTHER DELPINO)

The Grand Jurors of and for the State of New Jersey, upon
their oaths, present that:

COUNT ONE

(Conspiracy - Second Degree)

ESTHER DELPINO

who is named as a defendant herein, and other persons whose
identities are known to the Grand Jurors and who are conspirators
but who are not named as defendants herein, between on or about
January 1, 1993, and on or about July 31, 1996, at the City of
Passaic, in the County of Passaic, elsewhere and within the
jurisdiction of this Court with the purpose of promoting and
facilitating the commission of the crimes of theft by deception,
falsifying records and falsifying medical records, did agree
together and with a person whose identity is known to the Grand
Jurors, who at all times relevant to this indictment was a State

Investigator acting in an undercover capacity that:

- A. One or more of them would engage in conduct which would constitute the aforesaid crimes; and
- B. One or more of them would aid in the planning and commission of said crimes; that is:
 - 1. Theft by deception in excess of \$75,000, in violation of the provisions of N.J.S.A. 2C:20-4;
 - 2. Falsifying or tampering with records, in violation of the provisions of N.J.S.A. 2C:21-4a; and
 - 3. Falsifying medical records, in violation of N.J.S.A. 2C:21-4.1.

Among the means by which the aforesaid conspirators would carry out the conspiracy are the following:

It was a part of the conspiracy that ESTHER DELPINO, office manager of Lexington Chiropractic Center, did offer to pay cash "referral fees" to persons who were in automobile accidents, or to others who referred such persons to her, for the persons who were in automobile accidents to become patients at Lexington Chiropractic Center and to pursue bodily injury insurance claims with personal injury attorneys to whom she directed them;

It was further a part of the conspiracy that ESTHER DELPINO would refer persons who were in automobile accidents to various personal injury attorneys who would pursue their bodily injury claims against insurance carriers;

It was further a part of the conspiracy that ESTHER DELPINO would collect monies from various personal injury attorneys and/or from a chiropractor who was a partner in Lexington Chiropractic Center and would use those monies to pay the cash "referral fees" to persons who were in automobile accidents or to the persons who referred them for treating at Lexington Chiropractic Center and for pursuing a bodily injury claim with the personal injury attorneys to whom she would refer them;

It was further a part of the conspiracy that ESTHER DELPINO would direct persons whose identities are known to the Grand Jurors and who are coconspirators but who are not named as defendants herein, and who were employees of Lexington Chiropractic Center, to prepare false and inflated bills for chiropractic treatments purportedly rendered at Lexington Chiropractic Center, which bills included charges, totaling \$75,000 or more, for treatments that were not rendered;

It was further a part of the conspiracy that ESTHER

DELPINO caused Lexington Chiropractic Center to submit such false and inflated bills to over one dozen insurance carriers and claims servicing companies, for payment as personal injury protection claims, which did result in various insurance companies paying amounts that total over \$75,000 for treatments not actually received;

It was further a part of the conspiracy that ESTHER DELPINO caused Lexington Chiropractic Center to submit bills to insurance carriers that included costs for treatments not actually rendered to three persons whose identities are known to the Grand Jurors, who at all times relevant to this indictment were State Investigators acting in undercover capacities as Lexington Chiropractic Center patients, which submissions did result in the carriers paying bodily injury settlements totaling \$23,500;

It was further a part of the conspiracy that such false and inflated claims for medical treatments purportedly rendered at Lexington Chiropractic Center were submitted to insurance carriers in support of the automobile accident claimants' bodily injury claims.

In pursuance of the said conspiracy, the following Overt Acts, among others, were committed: